

Frequently Asked Questions

The approved 2003-2004 budget contains a provision making e-file mandatory for returns prepared by certain tax practitioners (Assembly Bill 1756). This new law implements mandatory e-file for tax practitioners who prepare more than 100 individual state income tax returns annually and prepare one or more using tax preparation software. This measure will reduce tax return processing costs for the state.

Following is a list of questions and answers that may be helpful to you regarding the mandatory e-file law.

1. Where can I read more about the law (AB1756)?

You can view the chaptered bill at:

www.leginfo.ca.gov/pub/bill/asm/ab_1751-1800/ab_1756_bill_20030811_chaptered.pdf
(see page 61)

2. Why is e-file being made mandatory?

By making e-file mandatory, we can significantly reduce the cost of processing tax returns. During the first year of implementation, we anticipate in excess of 2 million additional e-file returns.

3. Who must e-file tax returns under this law?

Tax preparers who prepared 100 or more California individual income tax returns for the 2002 tax year and prepare one or more returns using tax preparation software for the 2003 tax year will be required to e-file all of their current year individual returns.

4. What types of returns must be e-filed under the mandatory law?

All current year individual income tax returns are required to be e-filed. Prior year, fiduciary, amended and business type returns are not required to be e-filed under the mandate.

Please Note: California does not offer the option of electronic filing of business returns at this time.

5. If I reside or have an office outside California, am I still subject to the mandate?

Yes. If you meet the mandatory e-file requirements, all California returns you prepare are required to be e-filed, even if you reside or have your office outside the state.

6. What if I have multiple offices that each file less than 100 returns?

For the purposes of this law, an "Income Tax Preparer" is defined as *a person who prepares, in exchange for compensation, or who employs another person to prepare, in exchange for compensation, any return for the tax imposed.*

This means, even if a person in your employ or one of your offices files less than 100 returns, if the total of all tax returns prepared from multiple offices equals more than 100 and tax preparation software is used for one or more returns, all acceptable returns prepared are required to be e-filed.

7. When will mandatory e-file take effect?

Mandatory e-file will take effect on January 1, 2004.

8. How do you plan to enforce mandatory e-file?

AB1756 adds Section 19170 to the Revenue and Taxation Code which allows FTB to assess a penalty against preparers for each return that can be e-filed that is not e-filed, unless the failure to e-file is due to reasonable cause and not willful neglect.

9. How much is the penalty?

The penalty is \$50 per return filed on paper that should have been e-filed.

10. What if my client (the taxpayer) does not want their return e-filed?

Section 19170 of the Revenue and Taxation Code includes reasonable cause language that states reasonable cause includes, but is not limited to, a taxpayer's election not to e-file.

11. How will I prove that returns that were not e-filed were due to reasonable cause and not willful neglect?

FTB will provide an opt-out form for you to record the reason the return was not e-filed. This form would be retained with a copy of your client's return in your files.

12. What are the requirements for signing up for the California e-file Program?

You can learn about the requirements for participation and check out some of the benefits of e-filing by visiting our website at **www.ftb.ca.gov**. A mandatory e-file "quick link" is provided on the top right side.

13. What if I am denied participation in the IRS e-file Program?

We require you to be enrolled in the IRS e-file Program prior to enrolling in our e-file Program. If you have been denied participation in the IRS e-file Program, contact our e-file Help Desk for instructions.

14. What if I am already enrolled in the California e-file Program? Do I need to re-enroll in the program for mandatory e-file?

No. If you are already accepted in the California e-file Program, you do not need to re-enroll for the purposes of mandatory e-file.

15. Will there be a waiver process allowing me to be exempt from participation in mandatory e-file?

No. There is no provision in the law that allows for a preparer waiver.

16. I'm new to e-file. Where do I learn more about your e-file Program?

You can find information on our website at **www.ftb.ca.gov** or by calling our e-file Help Desk at (916) 845-0353. You can also check with your professional organization to network with others who are participating in our e-file Program.

17. Where can I get software to e-file?

We provide a listing of approved e-file software developers on our website. You can also contact our e-file Help Desk at (916) 845-0353.

18. What are you going to do with all the money you'll save from us e-filing? Can you compensate us?

The savings generated by mandatory e-file would help reduce the state's overall budget deficit. The legislation does not provide for any direct incentives to tax practitioners.

19. Where can I find more information about mandatory e-file?

Please visit our website at **www.ftb.ca.gov** and look for the "Mandatory e-file" quick link.

20. Who should I contact about mandatory e-file?

You can email your questions to **e-file@ftb.ca.gov**.

Assistance for persons with disabilities:

We comply with the Americans with Disabilities Act.

Persons with hearing or speech impairments, please call TTY/TDD (800) 822-6268.